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REPORT

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA BATON ROUGE, LOUISIANA

DECEMBER 31, 2000

Under provisions of state law, this report is a public document. A copy of the report shall be sent to the entity and other appropriate offices. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor. Where appropriate, at the office of the parish clerk of court.

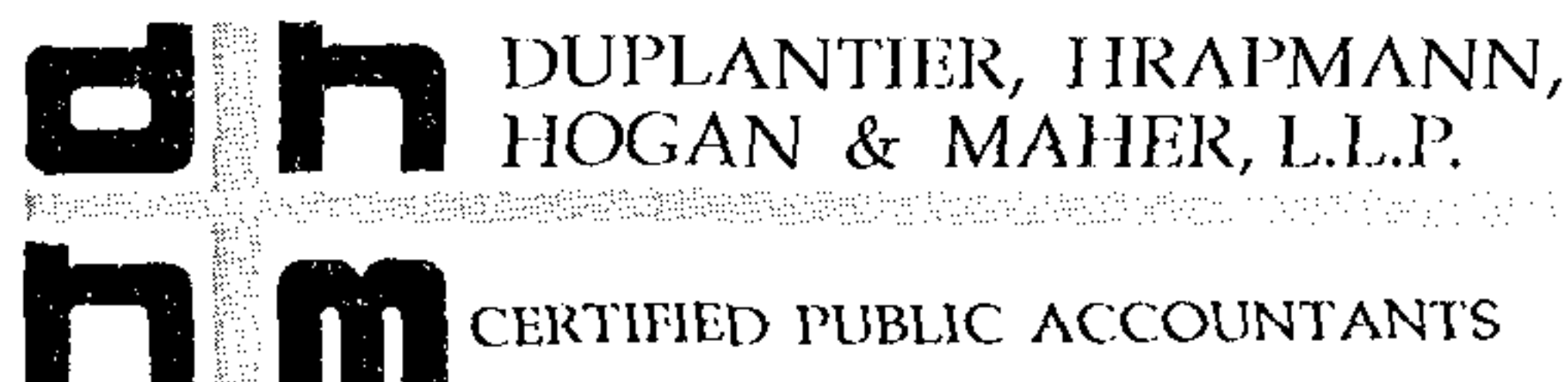
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PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

April 19, 2001

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying statement of plan net assets of the Parochial Employees' Retirement System of Louisiana as of December 31, 2000, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parochial Employee's Retirement System of Louisiana as of December 31, 2000 and the results of its operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the System for the year ended December 31, 2000 and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information and the supplemental schedules on pages 16 – 26 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the year ending December 31, 2000 and supplemental schedules for the year ending December 31, 2000, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. We have not examined the financial statements of the System for any period prior to the year ended December 31, 2000. Accordingly, we do not express an opinion or any other form of assurance on the required statistical information relating to any period prior to December 31, 2000. The financial statements of the System prior to December 31, 2000 were audited by other auditors whose reports expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2001 on our consideration of Parochial Employees' Retirement System of Louisiana's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Chapman, Hogan & Patel, LLP

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2000

ASSETS:

Cash \$ 4,791,995

Receivables:

Contributions receivable -Member	7,784,812
Contributions receivable - Employer	6,420,147
Ad valorem taxes & state revenue sharing receivable	3,524,087
Miscellaneous receivable	27,724
Investment receivable	2,152,686
Accrued interest and dividends	3,242,901
	<u>23,152,357</u>

Investments (at fair value):

Cash equivalents	27,762,808
Mutual Fund	108,196,624
Corporate bonds	21,879,409
Government securities	550,414,413
Mortgage backed securities	91,380,620
Marketable securities	523,740,740
Collateral under securities lending	104,566,032
Total	<u>1,427,940,646</u>

Deposits 2,515

Property, plant and equipment:

Net of accumulated depreciation 23,673

Total assets 1,455,911,186

LIABILITIES:

Accounts payable	776,188
Accrued leave payable	3,274
Withholding taxes payable	15,143
Refunds payable	1,118,879
Investment payable	5,837,328
Retirement payable	4,229,638
Obligations under securities lending	104,566,032
Total liabilities	<u>116,546,482</u>

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS \$ 1,339,364,704

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2000

ADDITIONS:

Contributions:

Member	\$ 32,870,694
Employer	27,524,959
Ad valorem tax	3,437,540
Revenue sharing	161,494
Total contributions	<u>63,994,687</u>

Investment income:

Net appreciation in fair value of investments	55,252,541
Interest income	27,964,637
Dividend income	7,711,631
Securities lending income	7,770,347
	<u>98,699,156</u>

Less: Investment expense:

Custodial fee	201,138
Money manager fees	2,306,042
Securities lending	7,539,691
Investment counseling	38,000
	<u>10,084,871</u>
Net investment income	<u>88,614,285</u>

Other additions:

Transfer fees collected	390,985
Miscellaneous income	77,154
Total other additions	<u>468,139</u>
Total additions	<u>153,077,111</u>

DEDUCTIONS:

Annuity benefits	48,764,812
Refunds to terminated employees	10,236,573
DROP benefits	2,026,923
Transfer to other systems - employee	431,329
Transfer to other systems - employer/interest	917,085
Administrative expenses	657,959
Depreciation	3,865
Total deductions	<u>63,038,546</u>

NET INCREASE

90,038,565

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS -

Beginning of the year as previously stated	1,255,823,329
Prior period adjustment	<u>(6,497,190)</u>

NET ASSETS - BEGINING OF THE YEAR
AS RESTATED

1,249,326,139

END OF YEAR

\$ 1,339,364,704

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

DESCRIPTION OF ORGANIZATION:

The Parochial Employees' Retirement System of Louisiana (System) was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

The System is operated by a Board of Trustees, an Administrative Director, an Actuary and Legal Counsel. The Board consist of seven trustees, four of whom are active or retired members of the System with at least ten years of creditable service, elected by the members of the System; one of whom shall be appointed by the Executive Board of the Police Jury Association of Louisiana who shall serve as an ex-officio member during his tenure; one who shall be the Chairman of the Senate Retirement Committee; and one who shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana or their appointees.

Act #765 of the year 1979 established by the Legislature of the State of Louisiana revised the System to created Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Act # 867 of the year 1987 revised the System to create Plan C. This plan was established for a larger employer that remained in Social Security on the revision date. As of December 31, 2000, there were no participants in this plan.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Interest income is recognized when earned. Ad valorem taxes are recognized when assessed by the taxing body. Revenue sharing monies are recognized in the year they are appropriated by the Legislature.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property, Plant and Equipment:

Fixed assets of the Parochial Employees' Retirement System of Louisiana are carried at historical cost. Depreciation is recognized on the straight-line method over the useful life of the assets.

2. PLAN DESCRIPTION:

The Parochial Employees' Retirement System of Louisiana is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS).

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. For the year ended December 31, 2000, there were 198 contributing employers in Plan A and 47 in Plan B.

At December 31, 2000 statewide retirement membership consisted of:

	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Active members	13,354	1,912	15,266
Retirees and survivors	4,325	395	4,720
"DROP plan participants	216	10	226
Terminated employees due deferred benefits	263	42	305
Terminated due refunds	<u>5,187</u>	<u>1,062</u>	<u>6,249</u>
 TOTAL PARTICIPATING AS OF THE VALUATION DATE	 <u>23,345</u>	 <u>3,421</u>	 <u>26,766</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners and justices of the peace, may no longer join the Retirement System.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.

Any member of Plan B can retire providing he /she meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service.
2. Age 62 with a minimum of ten (10) years of creditable service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation in excess of \$1,200 multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when she reaches age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

DROP Benefits:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

2. PLAN DESCRIPTION: (Continued)

Disability Benefits: (Continued)

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later).

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.5% of compensation for Plan A members and 2% of compensation for Plan B. (Plan B contributions exclude the first \$1,200 of earnings). The contributions are deducted from the member's salary and remitted by the participating employer.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2000, the actuarially determined contribution rate was 5.4% of member's compensation for Plan A and 2.73% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2000 was 7.75% for Plan A and 2.5% for Plan B. Under the provisions of RS 11:105, the Board of Trustees elected to freeze the employer contributions at higher rates. The additional revenue generated will be used to reduce the frozen unfunded liability in Plan A while maintaining the original amortization schedule. As a result of the freeze in the employer direct contribution rate, the current frozen unfunded accrued liability will be fully amortized by December 31, 2019. In the case of Plan B, no excess employer contributions were generated since the actuarial required contributions slightly exceeded the contributions collected.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions.

Administrative costs of the retirement System are financed through employer contributions.

Reserves:

Use of the term "reserve" by the Retirement System indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

a. Expense Fund:

The Expense Fund Reserve provides for general and administrative expenses of the System. Funding consists of transfers from Plan A and Plan B. The balance in the expense fund as of December 31, 2000 is \$836,208. The expense fund is fully funded.

b. Annuity Savings Reserve:

The Annuity Savings Reserve is credited with contributions made by the member of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to fund part of the benefits. The Annuity Savings as of December 31, 2000 is \$219,321,822 for Plan A and \$6,942,915 for Plan B. The Annuity Saving is fully funded for both plans.

c. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by the other accounts. The Pension Accumulation Reserve as of December 31, 2000 is \$635,791,136 for Plan A and \$51,918,574 for Plan B. The Pension Accumulation Reserve is 96% funded for Plan A and 100% funded for Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

d. Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost of living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of December 31, 2000 is \$416,202,302 for Plan A and \$20,179,361 for Plan B. The Annuity Reserve is 100% funded for both plans.

c. Deferred Retirement Option Account:

The Deferred Retirement Option account consist of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he/she had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or a true annuity. The Deferred Retirement Option balance as of December 31, 2000 is \$8,535,005 for Plan A and \$208,263 for Plan B. The Deferred Retirement Option account is fully funded for both plans.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method is used to calculate the funding requirements for Plan A with the unfunded accrued liability frozen as of December 31, 1989, and originally amortized over 40 years with payments increasing at 4% per year. The Aggregate Actuarial Cost Method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 24 - 26.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2000:

Deposits (bank balance)	\$ 4,897,146
Cash equivalents	27,762,808
Investments	<u>1,295,611,806</u>
	<u>\$1,328,271,760</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

The Retirement System's bank deposits were fully covered by federal depository insurance.

Cash equivalents:

Cash equivalents in the amount of \$27,762,808 consists of a money market account. The funds are managed and held by a separate money manager, and are in the name of the System.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of a retirement system and each board of trustees act collectively on behalf of the System and to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

The System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name.

	2000	
	<u>Market Value</u>	<u>Category</u>
U.S. Treasury Notes	\$ 10,731,180	1
U.S. Treasury Zeros	122,024,230	1
U.S. Agency Bonds	330,595,330	1
Government Guaranteed Bonds	4,767,727	1
Corporate Bonds	18,433,034	1
Government National Mortgage Corporation	91,380,620	1

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

	2000	
	<u>Market Value</u>	<u>Category</u>
Marketable securities – domestic	\$ 509,427,374	1
Mutual Funds – International	81,334,481	N/A
Mutual Funds – Domestic	26,862,143	N/A
Investments held by brokers – dealers in which collateral may be reinvested:		
U. S. Government and Government Agency Obligations	82,295,946	N/A
Corporate Bonds	3,446,375	N/A
Marketable Securities	14,313,366	N/A
Collateral held under securities lending program:		
Tri Party Repurchase Agreement	104,566,032	2
TOTAL	<u>\$1,400,177,838</u>	

There were no investments in any one organization, which represented 5% of plan net assets at December 31, 2000.

7. SECURITIES LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio of available assets, such as U.S. and non U.S. equities, corporate bonds, government bonds and government agency bonds. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest if the loaned securities are securities other than foreign securities. Collateralization of loans will be at 105% of the market value of the loaned securities if the loaned securities are foreign securities. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the System) in approved investments, such as commercial paper, certificates of deposit and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements varies depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper and other investments stipulated in the lender agent contract.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

7. SECURITIES LENDING AGREEMENTS: (Continued)

The System has the following securities on loan:

	December 31, 2000 Market (Carrying Value)
U. S. Government Agency Obligations	\$ 82,295,946
Corporate Bonds	3,446,375
Marketable securities - Equities	<u>14,313,366</u>
Totals	<u>\$100,055,687</u>

Securities on loan at December 31, 2000 for which cash collateral was received are presented as unclassified under footnote 6. Securities on loan at December 31, 2000 for which noncash collateral was received are classified under footnote 6. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at December 31, 2000.

8. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures at cost less accumulated depreciation:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Office equipment and furniture	\$211,455	\$ 7,422	\$ --	\$218,877
Less: accumulated depreciation	<u>(191,343)</u>	<u>(3,861)</u>	---	<u>(195,204)</u>
	<u>\$ 20,112</u>	<u>\$ 3,561</u>	<u>\$ --</u>	<u>\$ 23,673</u>

Depreciation expense for the year ended December 31, 2000 is \$3,861.

9. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a).

10. OPERATING LEASES:

The System entered into a five-year operating lease for office space beginning August 1, 1996 and ending July 31, 2001. Lease expense for the year ended December 31, 2000 was \$45,876. The minimum lease payments for the remaining term of the lease are as follows:

2001	<u>\$26,726</u>
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PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

11. PRIOR PERIOD ADJUSTMENTS:

In the prior period, the System recorded certain transactions incorrectly. The following table illustrates the total effect of the prior period adjustment.

<u>PLAN A</u>	<u>1999 Balance</u>	<u>Adjustment</u>	<u>Adjusted 1999 Balance</u>
Cash trust	\$ 4,266,250	\$(4,266,258)	\$ --
Revenue sharing receivable	127,238	95,344	222,582
Securities lending receivable	--	14,554	14,554
Original cost - fixed income	421,949,944	(2,544,934)	419,405,010
Investment managers' fees payable	2,251,641	(400,701)	2,652,342
Interest and dividends receivable	32,572,580	<u>646,474</u>	33,219,054
Effect of Prior Period Adjustment to Plan Net Assets		<u>\$(6,455,521)</u>	
<u>PLAN B</u>			
Original cost investment -- fixed income	36,698,616	(46,415)	36,652,201
Investment managers' fees payable	19,962	(6,436)	26,398
Revenue sharing receivable	35,794	<u>11,182</u>	46,976
Effect of Prior Period Adjustment to Plan Net Assets		<u>\$ (41,669)</u>	

As a result of the above adjustments the net assets of the System were restated to reflect a decrease in net assets in the amount of \$6,497,190.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2000

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash:	\$ 4,488,899	\$ 213,216	\$ 89,880	\$ 4,791,995
Receivables:				
Due from (to) other funds	(22,010)	22,010	--	--
Contributions receivable -Member	7,636,053	148,759	--	7,784,812
Contributions receivable - Employer	6,223,889	196,258	--	6,420,147
Ad valorem taxes & state revenue sharing receivable	3,154,058	370,029	--	3,524,087
Miscellaneous receivable	27,724	--	--	27,724
Investment receivable	2,152,686	--	--	2,152,686
Accrued interest and dividends	3,009,146	229,519	4,236	3,242,901
	<u>22,181,546</u>	<u>966,575</u>	<u>4,236</u>	<u>23,152,357</u>
Investments (At fair value)				
Cash equivalents	25,973,461	1,009,181	780,166	27,762,808
Mutual fund	81,334,481	26,862,143	--	108,196,624
Corporate bonds	18,931,453	2,947,956	--	21,879,409
Government securities	502,898,918	47,515,495	--	550,414,413
Mortgage backed securities	87,881,565	3,499,055	--	91,380,620
Marketable securities	523,740,740	--	--	523,740,740
Collateral under securities lending	94,822,282	9,743,750	--	104,566,032
	<u>1,335,582,900</u>	<u>91,577,580</u>	<u>780,166</u>	<u>1,427,940,646</u>
Deposits	--	--	2,515	2,515
Property, plant and equipment:				
Net of accumulated depreciation	--	--	23,673	23,673
	<u>--</u>	<u>--</u>	<u>23,673</u>	<u>23,673</u>
Total assets	<u>1,362,253,345</u>	<u>92,757,371</u>	<u>900,470</u>	<u>1,455,911,186</u>
LIABILITIES:				
Accounts payable	724,150	6,193	45,845	776,188
Accrued leave payable	--	--	3,274	3,274
Withholding taxes payable	--	--	15,143	15,143
Refunds payable	1,095,192	23,687	--	1,118,879
Investment payable	5,837,328	--	--	5,837,328
Retirement payable	4,030,969	198,669	--	4,229,638
Obligations under securities lending	94,822,282	9,743,750	--	104,566,032
Total liabilities	<u>106,509,921</u>	<u>9,972,299</u>	<u>64,262</u>	<u>116,546,482</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,255,743,424</u>	<u>\$ 82,785,072</u>	<u>\$ 836,208</u>	<u>\$ 1,339,364,704</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2000

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ADDITIONS:				
Contributions:				
Member	\$ 32,047,634	\$ 823,060	\$ --	\$ 32,870,694
Employer	26,458,024	1,066,935	--	27,524,959
Ad valorem tax	3,093,905	343,635	--	3,437,540
Revenue sharing	144,537	16,957	--	161,494
Total contributions	<u>61,744,100</u>	<u>2,250,587</u>	<u>--</u>	<u>63,994,687</u>
Investment income:				
Net appreciation in fair value of investments	53,094,553	2,157,988	--	55,252,541
Interest income	25,773,081	2,148,896	42,660	27,964,637
Dividend income	7,711,631	--	--	7,711,631
Securities lending income	7,304,126	466,221	--	7,770,347
	<u>93,883,391</u>	<u>4,773,105</u>	<u>42,660</u>	<u>98,699,156</u>
Less: Investment expense:				
Custodial fees	--	--	201,138	201,138
Money manager fees	2,280,358	25,684	--	2,306,042
Securities lending	7,087,310	452,381	--	7,539,691
Investment counseling	--	--	38,000	38,000
	<u>9,367,668</u>	<u>478,065</u>	<u>239,138</u>	<u>10,084,871</u>
Net investment income	<u>84,515,723</u>	<u>4,295,040</u>	<u>(196,478)</u>	<u>88,614,285</u>
Other additions:				
Interest - transfers, refund payback	382,348	8,637		390,985
Miscellaneous income	19,387	209	57,558	77,154
Total other additions	<u>401,735</u>	<u>8,846</u>	<u>57,558</u>	<u>468,139</u>
Total additions	<u>146,661,558</u>	<u>6,554,473</u>	<u>(138,920)</u>	<u>153,077,111</u>
DEDUCTIONS:				
Retirement and disability benefits	46,521,558	2,243,254	--	48,764,812
Refunds to terminated employees	9,939,346	297,227	--	10,236,573
DROP benefits	1,908,800	118,123	--	2,026,923
Transfers to/from funds	760,920	89,080	(850,000)	--
Transfer to other systems - employee	403,619	27,710	--	431,329
Transfer to other systems - employer and interest	744,437	172,648	--	917,085
Administrative expenses	--	--	657,959	657,959
Depreciation	--	--	3,865	3,865
Total deductions	<u>60,278,680</u>	<u>2,948,042</u>	<u>(188,176)</u>	<u>63,038,546</u>
NET INCREASE	<u>86,382,878</u>	<u>3,606,431</u>	<u>49,256</u>	<u>90,038,565</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -				
Beginning of the year - as previously stated	1,175,816,067	79,220,310	786,952	1,255,823,329
Prior period adjustment	<u>(6,455,521)</u>	<u>(41,669)</u>	<u>--</u>	<u>(6,497,190)</u>
NET ASSETS - BEGINNING OF YEAR - RESTATED	<u>1,169,360,546</u>	<u>79,178,641</u>	<u>786,952</u>	<u>1,249,326,139</u>
END OF YEAR	<u>\$ 1,255,743,424</u>	<u>\$ 82,785,072</u>	<u>\$ 836,208</u>	<u>\$ 1,339,364,704</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2000

PLAN "A"

DECEMBER 31, 2000

	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
BONDS:			
U.S. Treasury Notes	\$ 6,000,000	\$ 6,297,555	\$ 7,843,140
U.S. Treasury Zeros	181,823,425	36,922,301	100,404,612
U.S. Treasury Agency Bonds	684,811,407	285,567,727	391,032,949
Government Guaranteed Bonds	3,414,526	3,368,130	3,618,217
Corporate Bonds	20,544,386	19,683,628	18,931,453
Government National Mortgage Corporation Bonds	<u>85,985,169</u>	<u>83,550,510</u>	<u>87,881,565</u>
TOTAL BONDS	<u>\$ 982,578,913</u>	<u>\$ 435,389,851</u>	<u>\$ 609,711,936</u>

	<u>COST</u>	<u>MARKET</u>
STOCKS:		
Common stocks	<u>\$ 365,499,168</u>	<u>\$ 523,740,740</u>
MUTUAL FUND:		
International	<u>\$ 54,912,938</u>	<u>\$ 81,334,481</u>
CASH EQUIVALENTS	<u>\$ 25,973,461</u>	<u>\$ 25,973,461</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2000

PLAN "B"DECEMBER 31, 2000

	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
BONDS:			
U.S. Treasury Notes	\$ 2,320,000	\$ 2,360,911	\$ 2,888,040
U.S. Treasury Zeros	33,362,750	8,950,877	21,619,618
U.S. Agency Bonds	31,211,276	20,517,170	21,858,327
Government Guaranteed Bonds	3,000,000	468,120	1,149,510
Corporate bonds	4,800,000	3,278,800	2,947,956
Government National Mortgage Corporation Bonds	<u>3,172,283</u>	<u>3,031,885</u>	<u>3,499,055</u>
TOTAL BONDS	<u>\$ 77,866,309</u>	<u>\$ 38,607,763</u>	<u>\$ 53,962,506</u>

	<u>COST</u>	<u>MARKET</u>
MUTUAL FUND:	<u>\$ 16,406,345</u>	<u>\$ 26,862,143</u>
CASH EQUIVALENTS	<u>\$ 1,009,181</u>	<u>\$ 1,009,181</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>ADMINISTRATIVE EXPENSES:</u>			
<u>SALARIES AND RELATED EXPENSES:</u>			
Salaries	\$ 309,200	\$ 305,546	\$ (3,654)
Retirement	23,963	23,680	(283)
Group hospitalization	11,500	12,966	1,466
Medicare and payroll taxes	4,483	3,675	(808)
Total salaries and related expenses	<u>349,146</u>	<u>345,867</u>	<u>(3,279)</u>
<u>PROFESSIONAL SERVICES:</u>			
Actuarial consultant	87,650	88,685	1,035
Auditor	19,000	19,995	995
Legal counsel	19,000	17,445	(1,555)
Computer programming	6,500	5,477	(1,023)
Medical board	5,400	4,572	(828)
Investigation	3,000	884	(2,116)
Total professional services	<u>140,550</u>	<u>137,058</u>	<u>(3,492)</u>
<u>COMMUNICATIONS:</u>			
Printing	15,400	15,525	125
Telephone	9,680	9,580	(100)
Postage	19,800	20,257	457
Travel	22,410	20,754	(1,656)
Per diem	2,625	2,775	150
Total communications	<u>69,915</u>	<u>68,891</u>	<u>(1,024)</u>
<u>GENERAL OFFICE:</u>			
Rent	46,100	45,876	(224)
Supplies	4,600	3,713	(887)
Dues and subscriptions	6,000	8,834	2,834
Equipment rental	21,360	25,551	4,191
Equipment maintenance	9,477	8,247	(1,230)
Insurance	3,625	4,747	1,122
Microfilm	6,600	5,970	(630)
Training	3,500	3,205	(295)
Equipment	3,000	--	(3,000)
Total general office	<u>104,262</u>	<u>106,143</u>	<u>1,881</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 663,873</u>	<u>\$ 657,959</u>	<u>\$ (5,914)</u>
<u>INVESTMENT EXPENSES:</u>			
Custodial Bank	\$ 165,000	\$ 201,138	\$ 36,138
Investment counseling	<u>65,000</u>	<u>38,000</u>	<u>(27,000)</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 230,000</u>	<u>\$ 239,138</u>	<u>\$ 9,138</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2000

	2000					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	EMPLOYER RESERVE	UNFUNDED ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING PRIOR PERIOD ADJUSTMENT	\$ 207,651,099	\$ 6,545,783	\$ 385,878,993	\$ 600,007,790	\$ (24,267,598)	\$ 1,175,816,067
	--	--	--	--	(6,455,521)	(6,455,521)
	<u>207,651,099</u>	<u>6,545,783</u>	<u>385,878,993</u>	<u>600,007,790</u>	<u>(30,723,119)</u>	<u>1,169,360,546</u>
REVENUES AND TRANSFERS:						
Employee contributions	32,047,634	--	--	--	--	32,047,634
Employer contributions	--	--	--	26,458,024	--	26,458,024
Net investment income	--	--	--	84,515,723	--	84,515,723
Tax collector contributions	--	--	--	3,093,905	--	3,093,905
Revenue sharing contributions	--	--	--	144,537	--	144,537
Miscellaneous income	--	--	--	19,387	--	19,387
Transfer from Annuity Savings	--	--	10,033,946	--	--	10,033,946
Transfer from Annuity Reserve	--	3,898,022	--	--	--	3,898,022
Interest - transfers refund payback	--	--	--	382,348	--	382,348
Actuarial transfer	--	--	70,708,943	--	6,616,278	77,325,221
	<u>32,047,634</u>	<u>3,898,022</u>	<u>80,742,889</u>	<u>114,613,924</u>	<u>6,616,278</u>	<u>237,918,747</u>
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	9,939,346	--	--	--	--	9,939,346
Transfer to Annuity Reserve	10,033,946	--	--	--	--	10,033,946
Transfer to DROP	--	--	3,898,022	--	--	3,898,022
Pensions paid	--	--	46,521,558	--	--	46,521,558
Transfer to Expense Fund	--	--	--	760,920	--	760,920
DROP benefits	--	1,908,800	--	--	--	1,908,800
Actuarial transfer	--	--	--	77,325,221	--	77,325,221
Transfers to another system	403,619	--	--	744,437	--	1,148,056
	<u>20,376,911</u>	<u>1,908,800</u>	<u>50,419,580</u>	<u>78,830,578</u>	<u>--</u>	<u>151,535,869</u>
NET INCREASE (DECREASE)	<u>11,670,723</u>	<u>1,989,222</u>	<u>30,323,309</u>	<u>35,783,346</u>	<u>6,616,278</u>	<u>86,382,878</u>
BALANCE - ENDING	<u>\$ 219,321,822</u>	<u>\$ 8,535,005</u>	<u>\$ 416,202,302</u>	<u>\$ 635,791,136</u>	<u>\$ (24,106,841)</u>	<u>\$ 1,255,743,424</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2000

	2000					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL ACCRUED LIABILITY	TOTAL
BALANCE - BEGINNING	\$ 6,772,073	\$ 246,584	\$ 17,927,210	\$ 48,986,851	\$ 5,287,592	\$ 79,220,310
PRIOR PERIOD ADJUSTMENT	--	--	--	--	(41,669)	(41,669)
	<u>6,772,073</u>	<u>246,584</u>	<u>17,927,210</u>	<u>48,986,851</u>	<u>5,245,923</u>	<u>79,178,641</u>
REVENUES AND TRANSFERS:						
Employee contributions	823,060	--	--	--	--	823,060
Employer contributions	--	--	--	1,066,935	--	1,066,935
Net investment income	--	--	--	4,295,040	--	4,295,040
Tax collector contributions	--	--	--	343,635	--	343,635
Revenue sharing contributions	--	--	--	16,957	--	16,957
Miscellaneous income	--	--	--	209	--	209
Transfer from Annuity Savings	--	--	327,281	--	--	327,281
Transfer from Annuity Reserve	--	79,802	--	--	--	79,802
Transfers from another system	--	--	--	8,637	--	8,637
Actuarial transfer	--	--	4,337,006	--	--	4,337,006
	<u>823,060</u>	<u>79,802</u>	<u>4,664,287</u>	<u>5,731,413</u>	<u>--</u>	<u>11,298,562</u>
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	297,227	--	--	--	--	297,227
Transfer to Annuity Reserve	327,281	--	--	--	--	327,281
Transfer to DROP	--	--	79,802	--	--	79,802
Pensions paid	--	--	2,243,254	--	--	2,243,254
Transfer to Expense Fund	--	--	89,080	--	--	89,080
DROP benefits	--	118,123	--	--	--	118,123
Actuarial transfer	--	--	--	2,627,042	1,709,964	4,337,006
Transfers to another system	27,710	--	--	172,648	--	200,358
	<u>652,218</u>	<u>118,123</u>	<u>2,412,136</u>	<u>2,799,690</u>	<u>1,709,964</u>	<u>7,692,131</u>
NET INCREASE (DECREASE)	<u>170,842</u>	<u>(38,321)</u>	<u>2,252,151</u>	<u>2,931,723</u>	<u>(1,709,964)</u>	<u>3,606,431</u>
BALANCE - ENDING	<u>\$ 6,942,915</u>	<u>\$ 208,263</u>	<u>\$ 20,179,361</u>	<u>\$ 51,918,574</u>	<u>\$ 3,535,959</u>	<u>\$ 82,785,072</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2000

	<u>Per Diem</u>
Gwen Le Blanc	\$ 600
C. Reagan Sutton	600
Terri Rodrigue	600
Joseph Arabie	600
Thomas Nelson	<u>375</u>
TOTAL	\$ <u><u>2,775</u></u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 1995 THROUGH 2000

PLAN A				
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1995	19,047,070	111.28%	2,484,390	92.40%
1996	21,095,938	95.17%	2,367,795	106.21%
1997	16,405,731	130.53%	2,671,641	101.94%
1998	12,685,112	189.30%	2,960,149	95.56%
1999	14,340,774	175.65%	2,831,754	102.87%
2000	18,225,616	145.17%	2,905,696	111.45%

PLAN B				
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1995	299,992	100.13%	284,121	92.11%
1996	769,084	41.85%	274,542	113.33%
1997	896,904	97.06%	336,708	101.92%
1998	591,248	150.79%	346,450	95.49%
1999	840,278	119.04%	354,566	106.60%
2000	1,207,844	88.33%	374,209	96.36%

The actuarially required contribution differs significantly from actual contribution made due to the board of trustees' election to freeze the employer contribution rate at a higher level than required. The effect of this election is to reduce the number of years over which payments on the frozen unfunded accrued liability will be required for Plan A. In the case of Plan B, any excess contributions collected reduce future normal costs for the Plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS PLAN A
DECEMBER 31, 1995 THROUGH 2000

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Excess) AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/95	676,179,884	805,356,982	129,177,098	83.96%	261,736,015	49.35%
12/31/96	771,475,735	903,838,722	132,362,987	85.36%	275,339,284	48.07%
12/31/97	874,023,941	1,009,541,756	135,517,815	86.58%	291,292,401	46.52%
12/31/98	960,159,912	1,087,013,152	126,853,240	88.33%	307,631,138	41.24%
12/31/99	1,082,379,053	1,200,083,665	117,704,612	90.19%	323,096,742	36.43%
12/31/00	1,169,592,667	1,279,850,265	110,257,598	91.38%	337,142,274	32.70%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS -- PLANS A & B
DECEMBER 31, 1995 THROUGH 2000

The information presented in the Schedule of Contributions – Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2000
Actuarial Cost Method	Plan A - Frozen Attained Age Normal Cost Plan B - Aggregate Actuarial Cost
Amortization Method	Plan A – The System uses the level % of projected payroll amortization cost. In accordance with state statute, the payment amounts increase at 4% each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis) Plan B – N/A
Remaining Amortization period	Plan A - 19 years.
Asset Valuation Method:	
Bonds	Amortized Cost.
Equities	Market Value adjusted to reflect a three-year smoothing of realized and unrealized capital gains.
	Expense fund assets are allocated to each plan in proportion to reported payroll.
Actuarial Assumptions	
Investment Rate of Return	8%
Projected Salary Increases	Plan A - 6% Plan B - 6%
Cost of Living Adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
DECEMBER 31, 2000

April 19, 2001

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2000, and have issued our report thereon dated April 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Parochial Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Parochial Employees' Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Parochial Employees' Retirement System's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are noted below:

The System does not have procedures in place to independently review for the completeness of interest and dividends received from investments. Procedures should be in place to determine that all investment income is properly received and recorded. If the System does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the System develop and implement procedures to perform this independent review.

The Annuity Savings and DROP subsidiary ledgers are not reconciled to the general ledger. Subsidiary ledgers are the sources of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend the Plan develop formal reconciliation procedures to ensure the Annuity Savings and DROP subsidiary ledgers are in agreement with the general ledger.

Presently, the bookkeeper records the investment activity per the trust statement using a bank generated "Balancing Report". Using this report does not result in recording of the investment transactions correctly. Consequently, the investment balances and cash trust account balance per the trust statement does not agree to the amount reported per the general ledger. The System should record all investment transactions per the trust statements and reconcile all investment balances including the cash account to the general ledger and investigate any differences. We recommend that the System use the trust statement to record all investment activity and reconcile all investment balances including the cash trust account to the general ledger.

Presently, the bookkeeper uses an independent investment software program to verify the investment balances reported by the bank's trust department. Using investment software to independently calculate investment balances and compare to the bank's trust department is a strong control over the System's investments. However, the investment software does not use the same method for valuing the investments on the sale of an investment. The investment software uses the first in, first out method of valuing investments on the sale of an investment and the trust department uses the average cost method. This causes the ending balances per the independent software to be different from the ending balances per the trust statement and the general ledger. Also, the System receives confirmations for purchases and sales of investments and does not use them to verify the accuracy of purchases and sales of investments. We recommend that the System agree the confirmations to the trust statements and investigate both methods of valuing investments and choose one, which will be used by both the System's investment software and the trust department. Lastly, we recommend the investment balances per the trust statement and independent investment software be reconciled to the general ledger. Any discrepancies should be investigated and resolved.

It was noted that the retirement clerk sets up all new retiree, disability, and DROP participants for payments. In addition, she generates all benefit checks, runs checks through the check signer, mails the checks and reconciles the bank statement. Segregation of duties is important in any internal control structure. The same individual should not handle setting up of benefits to be paid and reconciliation of the bank statements. We recommend that the retirement clerk set up all new retirees, disability and DROP participants for payments and a second individual reconcile the bank statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated April 19, 2001.

This report is intended solely for the use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana and management, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hapmann, Hogan & Thacker, LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

April 19, 2001

Board or Directors

Parochial Employees' Retirement System

5420 Corporate Blvd., Suite 103

Baton Rouge, LA 70808-2509

In planning and performing our audit of the financial statements of Parochial Employees' Retirement System for the year ended December 31, 2000, we considered the System's internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of certain matters that we feel are opportunities for strengthening internal controls and operating efficiencies. Our comments are suggestions that are summarized below. This letter does not affect our report dated April 19, 2001 on the financial statements of Parochial Employees' Retirement System.

It was noted that blank retirement checks and the signature plate are kept in a room that is locked at night. During the day the checks and the signature plate are kept where all employees have access to them. Blank checks and the signature plate should be kept locked at all times in order to prevent misappropriation of assets. We recommend the blank checks and the signature plate be locked at all times.

We discovered during the audit that the signature stamp is kept in a safe that is not locked. The safe is located in a room that is locked at night. However, during the day all employees have access to the stamp. We recommend the System eliminate the signature stamp and designate an employee with the authority to sign checks in the director's absence and later approved by the director. As an additional control, the System should require that any disbursement checks over a specific dollar value not signed by the director be signed by two employees and later approved by the director.

The Retirement System does not prepare budget to actual financial statements for the Expense Fund and present to the board of trustees. Financial statements are a necessary tool in managing the System and should be generated monthly for operating results. We recommend the System begin preparing budget to actual financial statements for the Expense Fund and present them to the board at their board meeting. Presenting the financial statements to the board allows the board to gain a further understanding of the operations of the System and to allow the board to monitor the financial condition of the System.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor, State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

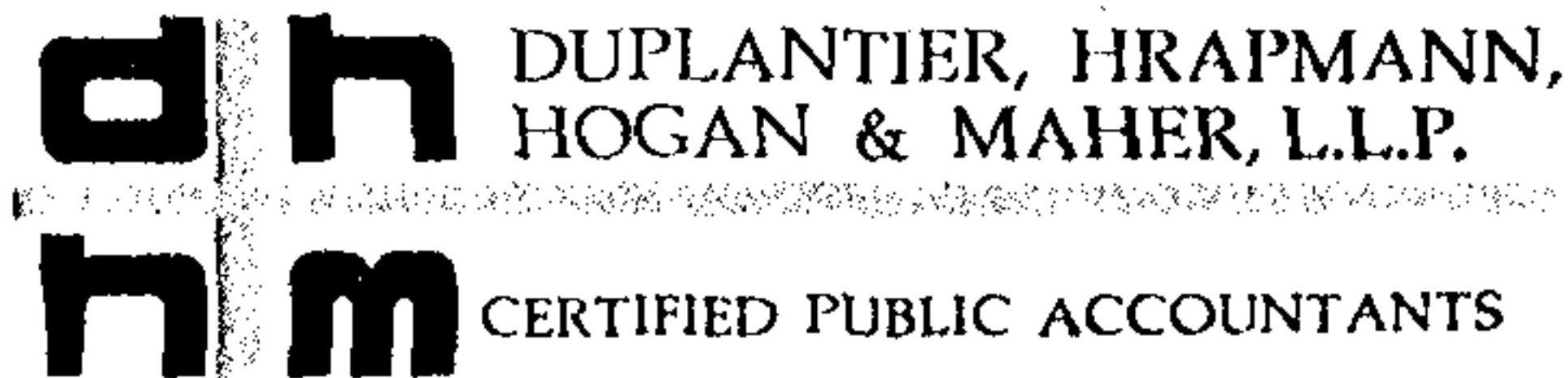
Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



Michelle H. Cunningham CPA
Partner

MHC/ckr



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804

RECEIVED
LEGISLATIVE AUDITOR
2001 JUN 27 AM 10:26

SCHEDULES AND DATA COLLECTION FORM

SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of Parochial Employees' Retirement System as of December 31, 2000 and have issued our report thereon dated April 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2000 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS:

Internal Control:

Material weakness – None noted.

Reportable conditions – See current year finding 00-01 through 00-05 below.

Compliance:

Noncompliance material to financial statements – None noted

Management Letter:

See current year findings 00-06 through 00-08

SECTION 2: FINANCIAL STATEMENTS FINDINGS

A. CURRENT YEAR FINDINGS:

00-01- Investment Income Review:

The system does not have procedures in place to independently review for the completeness of interest and dividends received from investments. Procedures should be in place to determine that all investment income is properly received and recorded. If the System does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the System develop and implement procedures to perform this independent review.

00-02 - Reconciliation of Equity Accounts:

The Annuity Savings and DROP subsidiary ledgers are not reconciled to the general ledger. Subsidiary ledgers are the sources of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend the System develop formal reconciliation procedures to ensure the Annuity Savings and DROP subsidiary ledgers are in agreement with the general ledger. It is our understanding that the System is performing the reconciliation.

00-03 - Recording of Investment Activity:

Presently, the bookkeeper records the investment activity per the trust statement using a bank generated "Balancing Report". Using this report does not result in recording of the investment transactions correctly. Consequently, the investment balances and cash trust account balance per the trust statement does not agree to the amount reported per the general ledger. The System should record all investment transactions per the trust statements and reconcile all investment balances including the cash account to the general ledger and investigate any differences. We recommend that the System use the trust statement to record all investment activity and reconcile all investment balances including the cash trust account to the general ledger. It is our understanding that the System is using the trust statement to record all activity and is reconciling the investment balances including cash to the general ledger.

00-04 - Reconciliation of Investment Activity:

Presently, the bookkeeper uses an independent investment software program to verify the investment balances reported by the bank's trust department. Using investment software to independently calculate investment balances and compare to the bank's trust department is a strong control over the System's investments. However, the investment software does not use the same method for valuing the investments on the sale of an investment. The investment software uses the first in, first out method of valuing investments on the sale of an investment and the trust department uses the average cost method. This causes the ending balances per the independent software to be different from the ending balances per the trust statement and the general ledger. Also, the System receives confirmations for and sales of investments and does not use them to verify the accuracy of purchases and sales of investments. We recommend that the System agree the confirmations to the trust statements and investigate both methods of valuing investments and choose one, which will be used by both the System's investment software and the trust department. Lastly, we recommend the investment balances per the trust department and independent software be reconciled to the general ledger. Any discrepancies should be investigated and resolved.

00-05 - Segregation of Duties:

It was noted that the retirement clerk sets up all new retiree, disability, and DROP participants for payments. In addition, she generates all benefit checks, runs checks through the check signer, mails the checks and reconciles the bank statement. Segregation of duties is important in any internal control structure. The same individual should not handle setting up of benefits to be paid and reconciliation of the bank statements. We recommend that the retirement clerk set up all new retiree, disability, and DROP participants for payments and a second individual reconcile the bank statements.

00-06 - Blank Retirement Checks and Signature Plate:

During the audit, it was noted that blank retirement checks and the signature plate are kept in a room that is locked at night. During the day the checks and the signature plate are kept where employees have access to them. Blank checks and signature plate should be kept locked at all times to prevent misappropriation of assets. We recommend the blank checks and signature plate be locked at all times.

00-07 - Signature stamp:

We discovered during the audit that the signature stamp is kept in a safe that is not locked. The safe is located in a room that is locked at night. However, during the day all employees have access to the stamp. We recommend that the System eliminate the signature stamp and designate an employee with the authority to sign checks in the director's absence and later approved by the director. As an additional control, the System should require that any disbursement checks over a specific dollar value not signed by the director be signed by two employees and later approved by the director.

00-08 - Preparation of Monthly Financial Statements:

The Retirement System does not prepare budget to actual financial statements for the Expense Fund and present to the board of trustees. Financial statements are a necessary tool in managing the System and should be generated monthly for operating results. We recommend the System begin preparing budget to actual financial statements for the Expense Fund and present them to the board at their board meeting. Presenting the financial statements to the board allows the board to gain a further understanding of the operations of the System and to allow the board to monitor the financial condition of the System.

Parochial Employees' Retirement System

OF LOUISIANA

THOMAS B. SIMS, C.F.A., ADMINISTRATIVE DIRECTOR

BOARD OF TRUSTEES

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SENATE RETIREMENT COMMITTEE

June 21, 2001

Mr. Dan Kyle
Legislative Auditor
State of Louisiana
1600 North 3rd Street
Baton Rouge, LA 70802

RECEIVED
LEGISLATIVE AUDITOR
2001 JUN 27 AM 10:26

Re: Parochial Employees' Retirement
System 2000 Audit

Dear Mr. Kyle,

The accounting firm of Duplantier, Hrapmann, Hogan and Maher has recently completed their audit of our financial statements for the calendar year 2000. Below are responses to the current year findings contained in their data collection form.

00-01 Investment Income Review

We have discussed with DHHM three possible methods of performing an independent review of dividend and interest income. I believe that one of these methods can be selected shortly.

00-02 Reconciliation of Equity Accounts

Our office has already adopted reconciliation procedures to ensure that the Annuity Savings and DROP subsidiary ledgers are in agreement with the general ledger.

00-03 Recording of Investment Activity

We have already adopted the recommendation to use the trust statement to record all investment activity and to reconcile investment balances to the general ledger.

00-04 Reconciliation of Investment Activity

The software employed to calculate investment balances and compare to the bank's trust statements will be changed to utilize the average cost method, the same method used by the bank.

00-05 Segregation of Duties

The recommendation that we have bank statements reconciled by someone other than the retirement clerk will be implemented in the third quarter of 2001.

00-06 Blank Retirement Checks and Signature Plate

We can maintain the signature plate in my desk where it will be locked when not in use. However, because we print about one year's supply of checks each year, the space needed to store this quantity makes it difficult to comply with the auditor's suggestion. This matter will require more study to resolve.

00-07 Signature Stamp

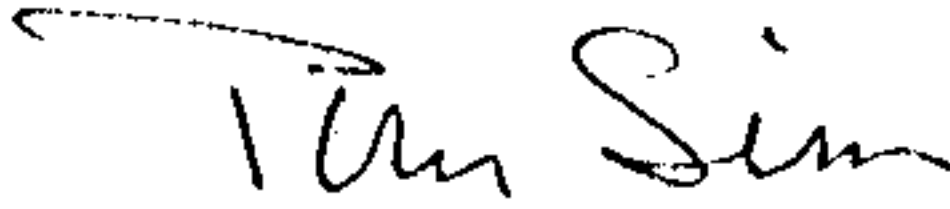
Our office will operate without a signature stamp for a sufficient length of time that will reveal any difficulties that might arise.

00-08 Preparation of Monthly Financial Statements

DIHIM has suggested monthly financial statements be prepared for the Expense account. Our Board of Trustees has indicated that quarterly statements should be adequate. We will begin preparation of these statements on a quarterly basis in the third quarter of 2001.

If any questions arise in connection with these issues, please give me a call at 928-1361.

Sincerely,

A handwritten signature in black ink, reading "Tom Sims". The signature is written in a cursive style with a large, sweeping initial "T" and a distinct "S" at the end.

Tom Sims
Administrative Director